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Message Text

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60
ACTION SS-30

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C O N F I D E N T I A L LA PAZ 7225

EXDIS

E.O. 11652: GDS
TAGS: EAID BL
SUBJ: RECOMMENDATIONS FOR ARA-LA RESPONSES TO POSSIBLE BOLIVIAN
REQUEST FOR AID PROGRAM ASSISTANCE

1. IN SEPARATE AIDAC TELEGRAM, WASHINGTON IS INFORMED THAT WILLY VARGAS, REAPPOINTED AS ECONOMIC ADVISOR TO THE PRESIDENT, WILL BE IN WASHINGTON DECEMBER 3-7. WHILE HE INDICATED MAIN PURPOSE IS TO WORK OUT PROBLEMS WITH IDB, VARGAS SAID THAT HE WILL ALSO DISCUSS LOANS AND GOB ECONOMIC SITUATION WITH WORLD BANK AND AID. HE ALSO HAS INDICATED THAT HE MAY ASK USG SUPPORT FOR HIS OVERTURES AT IBRD AND IDB. THE FOLLOWING ARE PROPOSED FOR ARA-LA BUREAU RESPONSES TO VARGAS WHO WE BELIEVE IS MAKING ONLY A PRELIMINARY RECONNAISSANCE FOR ANOTHER PROGRAM LOAN NOT A FORMAL GOB REQUEST.
WHILE WE WISH TO BE HELPFUL AND SYMPATHETIC,WE ASLO DO NOT WISH TO WEAKEN ANY RESOLVE THE RESTRUCTURED BANZER REGIME MIGHT HAVE TO TAKE FURTHER ECONOMIC ACTIONS.

A. WE RECOMMEND FIRST THAT VARGAS BE RECEIVED AT THE COUNTRY DIRECTOR LEVEL. IF PRESSED, WE SUGGEST THAT HE BE RECEIVED BY A DEPUTY ASSISTANT SECRETARY. ONLY IF VARGAS INSISTS UPON SEEING ASST. SECRETARY KUBISCH WOULD WE RECOMMEND THAT HE BE RECEIVED.

B. IN THE RECENTLY SUBMITTED DAP PREPARED BY USAID, WE CAREFULLY DELINEATED A POSITION WHICH WE BELIEVE APPLIES TO ANY REQUEST FOR PROGRAM ASSISTANCE WHICH VARGAS MAKES.
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WE FEEL THAT THE IMF MISSION SCHEDULED TO ARRIVE IN EARLY JANUARY SHOULD BE THE VEHICLE TO ASSESS THE GOB ECONOMIC SITUATION, AND ECONOMIC POLICIES NEEDED TO COPE WITH IT.
THEN WE FEEL THAT THE SUBSEQUENT MEETING OF THE CIAP IN

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WASHINGTON PROVIDES THE LOGICAL FORUM FOR BOLIVIA TO
DISCUSS BEFORE ALL AGENCIES ITS PROGRAM FOR CORRECTIVE
ACTION AND ITS NEEDS FOR PROGRAM OR OTHER TYPE OF ASSIST-
ANCE.

C. WHILE THE AID MISSION HAS BEEN APPROACHED INFORMALLY
ABOUT PROGRAM ASSISTANCE, THESE REQUESTS HAVE BEEN FEELERS
FOR ANOTHER PADES TYPE LOAN WHICH PROVIDES FINANCING
OF GOVERNMENT PUBLIC WORKS ACTIVITIES PROVIDING EMPLOYMENT, AND
COUNTERPART FOR EXTERNAL LENDING.
OUR CURRENT ESTIMATES ARE THAT AMPLE LOCAL CURRENCY IS
AVAILABLE TO CARRY THESE ACTIVITIES THROUGH 1974 AND PERHAPS
BEYOND. WE DO NOT YET HAVE ANY FIRM BASIS FOR RECOMMENDING
ANOTHER PADES TYPE LOAN.

D. WE FEEL THAT IT WOULD BE VERY HELPFUL FOR VARGAS TO
HAVE DETAILED BRIEFING ON THE PL-480 SITUATION
SO THAT HE WILL HAVE A PROFOUND APPRECIATION OF THE
PROBLEM IN OBTAINING ADDITIONAL RESOURCES OF THIS KIND.

E. WE DO NOT FAVOR ACTIVE INTERVENTION IN THE IDB AND
IBRD IN SUPPORT OF BOLIVIA UNLESS WE HAVE SPECIFIC EVIDENCE
OF CLEAR NEGLECT OR INEXCUSABLE DELAYS ON THE PART OF THOSE
AGENCIES. RECENT REVIEW HERE WITH VISITING WORLD BANK
DIVISION CHIEF VAN DER HEIJDEN CONTAINED NO SUCH PROBLEM
WHICH WOULD WARRANT USG INTERVENTION WITH THAT BANK.

2. IF THIS APPROACH IS ADOPTED, WE WOULD ENCOURAGE ARA-LA TO
HAVE AN INTENSIVE REVIEW OF THE BOLIVIAN SITUATION WITH THE
INTERNATIONAL MONETARY FUND BEFORE ITS MISSION DEPARTS
FROM WASHINGTON. SIMILARLY WE WOULD HOPE THAT THERE WOULD BE
A COMPREHENSIVE REVIEW OF THOSE AGENCIES WHO PARTICIPATE IN
CIAP AFTER THE IMF MISSION AND BEFORE THE BOLIVIAN PRESENTATION
AT FORMAL CIAP SESSION.

3. IN SHORT WE BELIEVE IT PREMATURE TO OFFER ANY ENCOURAGE-
MENT TO VARGAS FOR PROGRAM ASSISTANCE. WE WOULD APPRECIATE IT
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IF OUR VIEWS WERE NOT MADE KNOWN TO HIM AS HE WILL CERTAINLY
REPORT DIRECTLY TO PRESIDENT BANZER UPON HIS RETURN.
STEDMAN

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